

CONTRACTING FOR A & E SERVICES

INSTRUCTOR GUIDE

FEDERAL ACQUISITION INSTITUTE
CURRICULUM OF PROCUREMENT
TRAINING COURSES
CURRENT THROUGH
FAC 90-26

**OFFICE OF ACQUISITION POLICY
GENERAL SERVICES ADMINISTRATION**

4. Performance Objectives. (What are the criteria against which we will judge the effectiveness of the effort?)

5. Period of Performance. (How long do we have to complete the job or how long do we think it will take to complete the work?)

6. Special Reporting Requirements. (Are special or interim reports or meetings with the customer or others (e.g., EPA) required?)

7. Government Furnished Information, Equipment or Assistance (Will any significant information, equipment or assistance be provided to the contractor to the extent that this will affect the schedule or price of the task?)

B. PLAN OF ACTION

1. Proposed Acquisition Source. (In-house, contractor, small business, 8(a) set aside, supplemental agreement).

2. Competition. (Will this be a competitive or non-competitive procurement as defined in the FAR?)

☐ Yes ☐ No

THE WRAP UP

In conclusion of the lesson, the instructor will ask the students, one at a time, to answer the questions presented at the end of the scenario at the beginning of the chapter.

This is the time that the instructor must be sure that the information which has been covered has been understood by all students. It also is a good time for reinforcement of material already covered. The review of the scenario questions is necessary for learning reinforcement and an opening for all questions to be presented for discussions.

The questions addressed in the scenario, Lesson Two were as follows:

- 1) What services are considered professional?
- 2) How are sources identified?
- 3) Who are the key players?

The answers to the questions are covered in the Text/Reference on the last page of each chapter, but included on the next page for the instructor's convenience in guiding the discussions.

REF.	STEPS IN PRESENTING THE TOPIC	INSTRUCTOR NOTES
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CERTIFICATION OF COSTS

- | | |
|-----------------|-----------------------------------|
| 1. THRESHOLD | \$500,000 |
| 2. TO SUBMIT | USE OF SF 1411 |
| 3. CERTIFY DATA | ACCURATE,
COMPLETE,
CURRENT |

FACTUAL COSTS VS JUDGMENTAL COSTS

VG 4-13



Question:

What does cost and pricing data consist of?

Answer:

Cost or pricing data are all facts existing as of the time of agreement on price that prudent buyers and sellers would reasonably expect and having a significant effect on price negotiations.





Question:

Does cost and pricing data include factual prices as well as judgmental prices?

Answer:

Cost and pricing data are factual prices only, and are verifiable. Therefore the A-E's proposal must separate factual prices from judgmental, so that evidence exists at the time of conclusion of negotiations as to what the A-E based its quotations on. It entitles the Government to an adjustment that never goes up, only goes downward.

REF.	STEPS IN PRESENTING THE TOPIC	INSTRUCTOR NOTES				
<div></div> <div>FAR 15.801 & 804-2</div>	<p>Question: How does the A-E go about separating factual from judgmental costs?</p> <p>Answer: For any negotiation expected to exceed the dollar threshold of \$500,000, the cost certification must be submitted on SF 1411 separating the factual costs from the judgmental costs.</p>					
	<p>Give a couple of examples of each to the class of what constitutes judgmental as opposed to factual, i.e.</p> <table><tr><td>Judgmental</td><td>Engineering time. Drafting time. Research time.</td></tr><tr><td>Factual (Fixed)</td><td>Legal fees. G & A. Wage Rates. Travel. Materials.</td></tr></table>	Judgmental	Engineering time. Drafting time. Research time.	Factual (Fixed)	Legal fees. G & A. Wage Rates. Travel. Materials.	
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Factual (Fixed)	Legal fees. G & A. Wage Rates. Travel. Materials.					
<div></div> <p>Tell the students: Price analysis as it has to do with A-E contracts consists of examining and evaluating a prospective price without evaluation of the separate cost elements and proposed profit of the prospective contractor. For example:</p> <ul style="list-style-type: none">• Compare the A-E's fee estimate with fees for similar contracts previously negotiated.• Compare the A-E's fee estimate with an estimate based on a predetermined percentage of the ECC.• Use rough yardsticks, such as hours or dollars per drawing to point up apparent gross inconsistencies which should be subjected to greater pricing inquiry.• Compare proposed prices with estimates of cost independently developed by personnel within your agency.						

A-E FEE PROPOSAL				
PROJECT TITLE:		SOCIAL SECURITY ADMINISTRATION		
LOCATION:		ANY TOWN, USA		
NAME OF FIRM:		SMITH/SMITH & ASSOC.		
CONTRACT NUMBER:				
ESTIMATED CONSTRUCTION COST:		\$2,350,000		
SECTION A: DESIGN				
	NO. OF DRAWINGS	EST. NO OF HOURS	HOURLY RATE	TOTAL ESTIMATED COST
ITEM 1				
A. PROJECT ENGINEER		214	30.50	6527.00
B. ARCHITECT	10	248	27.05	6708.00
DRAFTSMAN		300	14.00	4200.00
C. STRUCTURAL ENGINEER	4	160	28.80	4608.00
DRAFTSMAN		106	14.00	1486.00
D. MECHANICAL ENGINEER	9	155	28.05	4348.00
DRAFTSMAN		132	14.82	1956.00
E. ELECTRICAL ENGINEER	5	165	26.95	4447.00
DRAFTSMAN		144	14.00	2016.00
F. CIVIL ENGINEER	7	168	26.05	4376.00
DRAFTSMAN		154	14.00	2156.00
G. LANDSCAPE ARCH. DRAFT.				
H. OTHER	3	16	14.00	224.00
TOTAL ITEM 1	38	16	14.00	43,052.00
ITEM 2				
A. SPEC/REPORT WRITER		170	21.00	3570.00
B. TYPIST		200	12.50	2500.00
C. OTHER		40	9.50	380.00
TOTAL ITEM 2				6450.00
ITEM 3				
A. COST EST. ENGINEER		84	23.00	1932.00
TOTAL DIRECT COST (ITEMS 1,2,3)				\$51,434.00
OVERHEAD (G&A): 153 % X \$51,434 = \$78,694.02				\$78,694.00
PROFIT: 9.8 % X (\$51,434+\$78,694) = \$12,763				\$12,763.00
TOTAL THIS SIDE NOT TO EXCEED 6% OF ESTIMATED CONSTRUCTION COST		DESIGN TOTAL (DIRECT COST + G&A + PROFIT)		\$ 132,891.00

PREPARED BY: _____

DATE: JUNE 20, 199x

CLASSROOM EXERCISE CE-4.3

INSTRUCTOR'S KEY

NOTE: Have each group present answers for 3 questions; ask other groups if they agree, disagree, or have additional information.

1. It appears that the A-E has a good understanding of the scope with the exception that there are no costs attributed to landscaping. This should be questioned.
2. In assessing risk, this project should be classified as "Routine."
3. The period of performance could result in some risk because of the short lead time the contractor has to produce the design. This can often lead to errors and/or omissions. The A-E is also likely to include contingencies buried in this estimate.
4. The contract type should be Firm Fixed Price.
5. There are 3 mathematical errors:
Section A: [\$51,434 + 78,694 + 12,763 = \$142,890, not \$132,890.]
Section C: [\$80 x 14.00 = \$1120, not \$252]
Section E2c: [\$410 for Drawings not included]
6. In comparing the number of drawings and estimated number of hours in Section A of the proposal, the figures appear to be reasonable.
7. The wage rates specified in Section A are high when compared to the comparable Government Wage rates except for Project Engineer (A) and Architect (B). Also note that wage rate for "B" does not include job title of "architect."
8. The unallowables and questionable items in the Overhead analysis are as follows: (See OH Analysis Form.)

Advertising for A/E Services	Income Taxes
Contribution (to a Historic Building)	Bad Debts
Entertainment	Fines and Penalties
Interest	
9. Because of unallowable or questionable costs, the overhead rate is probably a little high.
10. A cost and price certification is not required since the proposed cost is not over the threshold of \$500,000.
11. An audit is not required because the proposal does not exceed the \$500,000 threshold.
12. The percentage attributed to designing services is 5.65% which is derived by dividing the total design costs shown in Section A by the ECC. (\$132,875 divided by \$2,350,000 = 5.65%). This is well under the 6% threshold.

However, the \$132,875 figure is incorrect (See #5 above). When the correct amount of \$142,875 is used, the percentage attributed to designing services rises to 6.08%, which exceeds the 6% threshold. Ask the class "What alternatives does the contracting officer have?"